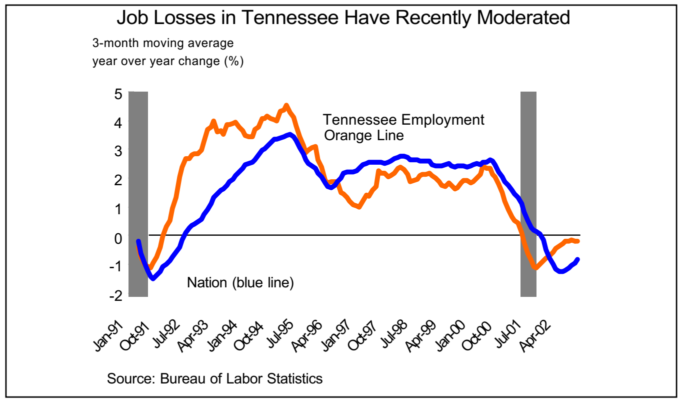
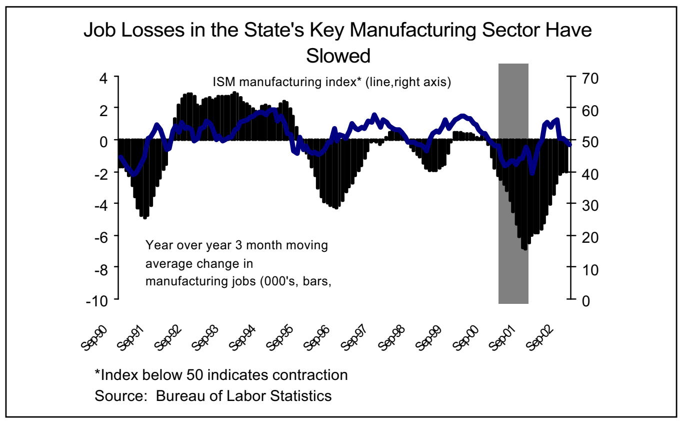
FDIC State Profile
WINTER 2002

Tennessee

Employment Conditions in Tennessee Remain Weak, but the Economy Appears to be Rebounding

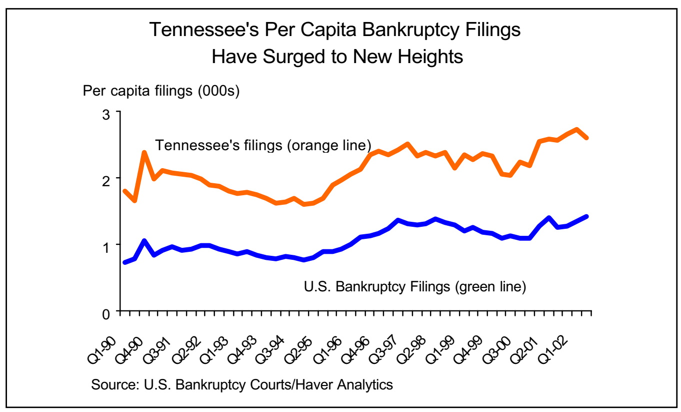
- Labor market conditions in Tennessee remain weak; however, only 2,100 (0.08 percent of total employment) job losses occurred during third quarter 2002, signaling a possible economic rebound (see chart). Accelerating declines in the state's important manufacturing sector[1] contributed to falling state payrolls before the national recession began. Other key sectors[2] of the Tennessee economy also lost jobs during 2002. However, employment in the services sector grew over 2 percent during the first three quarters of 2002, spurred by gains in the healthcare industry.
- Employment in the state's manufacturing sector has fallen every year since 1995 (see chart). Job losses in the nondurable goods segment (e.g. textile, apparel, and chemicals) led the declines through 2000, while jobs were actually growing in the durable goods sector (e.g. transportation equipment, furniture, and industrial equipment) during that period. Durable manufacturing began to lose jobs in 2001. The combination of job losses caused manufacturing employment declines to surge. Although manufacturing sector job losses surged in 2001, the pace of job losses slowed significantly in 2002.[3] Strong competition from imports and cheap foreign labor contributed to textile and apparel plant closings statewide.





Bankruptcy Filings are Increasing

- Driven by the slowing state economy, the Tennessee per capita bankruptcy filing rate (quarterly, annualized) increased to 10.6 during second quarter 2002 from 9.5 a year earlier. Tennessee reports the nation's highest personal bankruptcy filing rate.



Other Factors Affect the State Economy

- The Tennessee economy benefited during the 1990s from strong in-migration. However, the sluggish economy and declining rates of job creation contributed to declining population inflows to an eleven year low.

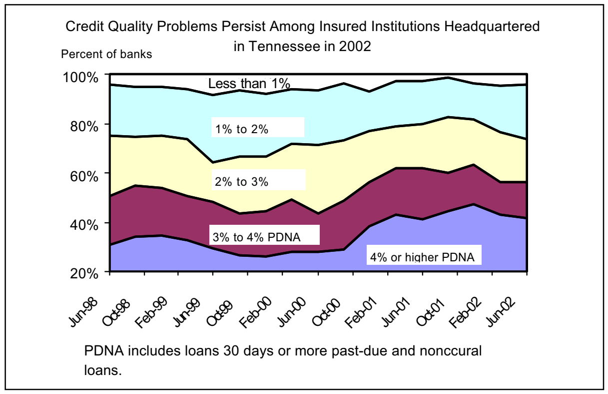
[1] Employment in the manufacturing sector represented 17.2 percent of the state's total employment in September 2002, compared with 12.7 percent for the nation.

[2] Job losses occurred during 2002 in the following sectors: finance, insurance and real estate; trade; transportation and public utilities; and construction.

[3] Annualized manufacturing job losses for the first three quarters of 2002 were 22 percent of the losses during 2001.

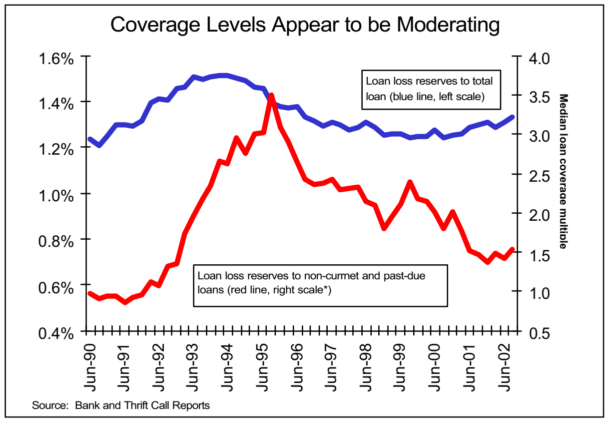
Although Asset Quality Remains a Concern, Past-Due Levels May Have Peaked in 2001

- Insured institutions headquartered in Tennessee reported deteriorating credit quality with higher past-due and nonaccural loan levels and rising loan loss rates during 2001.
- Reported past-due levels and loss rates remained elevated in first quarter 2002. However, delinquencies subsided modestly, suggesting that credit quality deterioration may have peaked during 2001.[4]



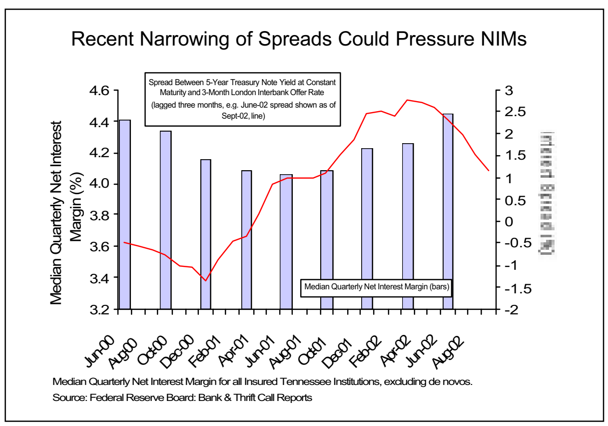
Coverage Levels of Nonperforming Loans Increased Slightly During Second Quarter 2002 After Steep Decline

- Insured institutions headquartered in Tennessee responded to rising delinquencies in 2001 by increasing provisions; this trend continued through the first half of 2002.[5]
- Median loan loss reserve coverage of past-due and noncurrent loans declined during the 1990s from a high of 2.39 to a low of 1.36 during the third quarter 2001. However, coverage levels began to increase slightly in second quarter 2002 to 1.54 percent.



Favorable Interest Rates Have Boosted Margins and Returns

- Median net interest margins for insured institutions headquartered in Tennessee reached 4.45 percent in second quarter 2002, the highest level since fourth quarter 1999. The wide spread between short and long term interest rates helped contain funding costs as yields on earning assets declined. The margin improvement occurred across various asset types, geographic locations, and institution sizes. Median return on asset (ROA) levels rose to 1.21 percent, the highest in several years. Lower provisions for loan losses during 2002 also contributed to the improvement in ROAs.



[4] The median past-due ratio among established banks (those in existence for at least three years) was 2.73 percent in second quarter 2002, down from 3.11 percent one year ago.

[5] Loan loss reserves were 1.31 percent as of June 30, 2002, up from 1.27 percent one year ago.

Tennessee Insured Institutions at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	213	218	219	229	239	258
Total Assets (in thousands)	107,672,467	92,771,314	91,740,740	113,786,812	91,908,675	79,756,771
New Institutions (# <3 years)	17	23	21	21	18	17
New Institutions (# <9 years)	45	47	39	34	31	36
Capital						
Tier 1 Leverage (median)	9.27	9.28	9.35	9.38	9.52	9.20
Asset Quality						
Past-Due and Nonaccrual (median %)	2.59%	2.85%	2.05%	2.05%	2.40%	2.29%
Past-Due and Nonaccrual ≥ 5%	42	49	25	29	29	34
ALLL/Total Loans (median %)	1.33%	1.30%	1.25%	1.25%	1.27%	1.28%
ALLL/Noncurrent Loans (median multiple)	1.60	1.55	2.00	2.41	2.15	2.32
Net Loan Losses/Loans (aggregate)	0.51%	0.39%	0.31%	0.33%	0.34%	0.32%
Earnings						
Unprofitable Institutions (#)	19	19	13	14	8	8
Percent Unprofitable	8.92%	8.72%	5.94%	6.11%	3.35%	3.10%
Return on Assets (median %)	1.11	0.92	1.09	1.14	1.23	1.28
25th Percentile	0.68	0.60	0.80	0.82	0.97	1.00
Net Interest Margin (median %)	4.35%	4.07%	4.43%	4.37%	4.49%	4.60%
Yield on Earning Assets (median)	6.96%	8.42%	8.51%	8.14%	8.54%	8.58%
Cost of Funding Earning Assets (median)	2.62%	4.41%	4.12%	3.76%	4.05%	4.01%
Provisions to Avg. Assets (median)	0.25%	0.19%	0.19%	0.19%	0.16%	0.15%
Noninterest Income to Avg. Assets (median)	0.73%	0.77%	0.70%	0.67%	0.69%	0.72%
Overhead to Avg. Assets (median)	3.04%	3.03%	3.01%	2.98%	2.94%	2.92%
Liquidity/Sensitivity						
Loans to Deposits (median %)	77.66%	78.30%	80.09%	77.52%	75.70%	75.97%
Loans to Assets (median %)	65.84%	66.10%	68.60%	65.77%	64.31%	64.98%
Brokered Deposits (# of Institutions)	30	30	19	21	19	13
Bro. Deps./Assets (median for above inst.)	3.91%	3.49%	1.69%	1.60%	1.25%	1.02%
Noncore Funding to Assets (median)	20.80%	21.40%	19.80%	17.80%	16.32%	15.37%
Core Funding to Assets (median)	67.55%	67.00%	68.65%	71.09%	71.79%	73.49%
Bank Class						
State Nonmember	151	154	157	161	170	186
National	28	29	28	34	36	43
State Member	11	11	9	9	8	5
S&L	6	6	6	6	6	6
Savings Bank	16	17	18	18	18	17
Mutually Insured	1	1	1	1	1	1
Asset Distirbtion						
$0 to $100 million	99	104	107	118	131	140
$100 to $250 million	69	74	75	68	67	77
$250 to $500 million	31	26	27	30	24	24
$500 million to $1 billion	10	10	6	4	8	5
$1 to $3 billion	1	1	1	4	3	5
$3 to $10 billion	0	1	1	2	3	6
Over $10 billion	3	2	2	3	3	1